

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-07 NSAE-00 FAA-00 L-03 PM-04 NSC-05 SP-02

SS-15 PA-01 PRS-01 USIA-06 /066 W

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R 141605Z AUG 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2138

INFO USMISSION USBERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EAIR, WB, UK, US, FR, GW

SUBJECT: AEROAMERICA'S SAARBRUECKEN APPLICATION

REF: A. BONN 12147 B. STATE 166283

1. SUMMARY: BRITISH ARE NOW PREPARED TO CONCUR IN APPROVING AEROAMERICA'S SAARBRUECKEN APPLICATION. AEROAMERICA PRESIDENT HAS WRITTEN EMB CAA INDICATING THE CARRIER'S INTENTION TO COMMIT ADEQUATE RESOURCES TO THE SERVICE AND TO AVOID USING NEWLY ACQUIRED EQUIPMENT TO COMPETE WITH SCHEDULED IGS CARRIERS. THE WAY IS NOW CLEAR FOR THE CAA'S TO ISSUE THE NECESSARY AUTHORIZATION PERMITTING AEROAMERICA TO INTRODUCE THE SERVICE ON NOVEMBER 1. ACTION REQUESTED: DEPARTMENT'S CONCURRENCE. END SUMMARY.

2. UK CAA GROVES HAS NOW CONFIRMED THAT HMG WOULD BE WILLING TO CONCUR IN APPROVAL OF AEROAMERICA'S APPLICATION TO INITIATE A SAARBRUECKEN SCHEDULED SERVICE ON NOVEMBER 1, SUBJECT TO US ASSURANCES THAT A. CARRIER IS FULLY QUALIFIED TO CONDUCT SUCH SERVICE;

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B. CARRIER WILL NOT USE NEWLY-ACQUIRED F-27 FOR ACTIV-

ITIES DIRECTLY COMPETITIVE WITH SCHEDULED IGS CARRIERS. GROVES WILL ACCEPT EMB CAA'S MOTION IN THE CAA FORUM TO APPROVE THE APPLICATION AS EVIDENCE THAT THESE TERMS HAVE BEEN MET.

3. AEROAMERICA GENERAL MANAGER MATHUS CALLED AT THE EMBASSY AUGUST 12 TO DELIVER A LETTER SIGNED BY THE CARRIER'S PRESIDENT, JOEL EISENBERG, PROVIDING ASSURANCES REGARDING THE QUESTIONS RAISED EARLIER WITH AERO-AMERICA OFFICIALS (REFTEL A). EISENBERG'S LETTER CON- FIRMS THAT THE SPARE BOEING 720 AIRCRAFT PRESENTLY USED IN BERLIN AS A BACK-UP FOR THE CARRIER'S CHARTER SERVICES WOULD ALSO BE USED AS A BACK-UP FOR THE SAARBRUECKEN SERVICE WHEN THE F-27 IS INOPERABLE, OR AS A SPECIAL SECTION DURING PEAK HOLIDAY PERIODS. WITH RESPECT TO CHARTER ACTIVITIES FOR THE F-27, EISENBERG WRITES THAT IT IS NOT HIS INTENTION TO SOLICIT BUSINESS FROM BERLIN TO THE FRG. AEROAMERICA WOULD, HOWEVER, WANT TO USE THE AIRCRAFT TO MEET THE NEEDS OF CUSTOMERS WHO REQUIRE A SMALLER AIRCRAFT TO SERVICE CERTAIN DESTINATIONS WHERE LIMITED CAPACITY WOULD BE APPROPRIATE, SUCH AS THE NORTH SEA ISLANDS, DENMARK, AUSTRIA, SWITZERLAND AND YUGOSLAVIA. PROJECTIONS ON THE ECONOMIC VIABILITY OF THE SAARBRUECKEN SERVICE DID NOT TAKE INTO ACCOUNT ANY REVENUE FROM CHARTER OPERATIONS FOR THE F-27, ACCORDING TO EISENBERG. AEROAMERICA IS PRESENTLY NEGOTIATING THE PURCHASE OF A F-27, BUT WILL NOT ENTER INTO A FIRM CONTRACT UNTIL CAA AUTHORIZATION IS ASSURED. THE LETTER ALSO POINTS OUT THAT CLOSE TO 90 DAYS WILL BE REQUIRED TO COMPLETE PREPARATIONS FOR THE INTRO-DUCTION OF THE SERVICE; THEREFORE, AEROAMERICA, IF IT IS TO COMMENCE OPERATIONS ON NOVEMBER 1, WOULD REQUIRE AUTHORIZATION AS SOON AS POSSIBLE.

4. EISENBERG'S LETTER ENCLOSURES A COMPREHENSIVE ANALYSIS OF THE SAARBRUECKEN MARKET BASED ON KNOWN OPERATING COSTS OF THE F-27, PLUS MODERN AIR'S AND PAA'S EXPERIENCE ON THE ROUTE. WE ARE UNABLE TO FULLY EVALUATE THIS DATA, BUT ON FIRST READING IT APPEARS TO PROVIDE A LOGICAL BASIS FOR THE SERVICE. WE NOTE THAT AEROAMERICA LIMITED OFFICIAL USE

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CONCLUDES THAT THE OPERATION WILL BREAK EVEN WITH 15 PASSENGERS ON EACH ONE-WAY FLIGHT SECTOR, AND THAT THE CARRIER EXPECTS TO REACH AN AVERAGE OF 20 PASSENGERS PER SECTOR BY THE THIRD WEEK OF OPERATION. THE FLIGHT FROM SAARBRUECKEN TO BERLIN WOULD TAKE APPROXIMATELY ONE HOUR AND 15 MINUTES, AND WILL COST THE FULL-FARE PASSENGER DM 150 ONE-WAY, AND DM 260 ROUND-TRIP. A STUDENT FARE OF DM 185 ROUND-TRIP, AND A SENIORS AND YOUTH FARE OF

DM 195 ROUND-TRIP WILL BE AVAILABLE.

5. EMB CAA REITERATED TO MATHUS THAT WE WERE UNABLE TO GUARANTEE ANY APPROVALS FOR CHARTER ACTIVITIES INVOLVING ITS F-27, ALTHOUGH WE WERE REASONABLY OPTIMISTIC THAT ALLIED CONCURRENCE FOR FLIGHTS TO SUCH DESTINATIONS

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AS AUSTRIA, SWITZERLAND AND YUGOSLAVIA WOULD PROBABLY NOT BE TOO DIFFICULT TO OBTAIN (WE ALREADY HAVE UK CAA'S INFORMAL INDICATION THAT HE WOULD VERY LIKELY CONCUR). CHARTERS TO NORTH SEA VACATION CENTERS WOULD MOST LIKELY NOT BE APPROVED GIVEN BA'S CURRENT SERVICE TO SYLT. WE AGAIN URGED MATHUS TO CONSIDER THAT THE F-27 WOULD BE USED ONLY FOR THE SAARBRUECKEN SERVICE. HE SAID THIS, AND THE FACT THAT NO ADDITIONAL SCHEDULED SERVICES FOR AEROAMERICA WOULD BE CONSIDERED WITHIN THE FORESEEABLE FUTURE, WERE FULLY UNDERSTOOD AND ACCEPTED BY THE COMPANY.

6. COMMENT: IN VIEW OF BRITISH CONCURRENCE (THE FRENCH CAA AGREED IN PRINCIPLE SOME TIME AGO) AND THE ASSURANCES

PROVIDED BY AEROAMERICA REGARDING THE CONDITIONS FOR OPERATING THE SERVICE, THE WAY IS NOW CLEAR FOR THE CAA'S TO FORMALLY APPROVE THE APPLICATION.

ACTION REQUESTED: PROVIDED THE DEPARTMENT IS AWARE OF NO NEW INFORMATION AFFECTING AEROAMERICA'S SUITABILITY (PARA 5, REF B), WE BELIEVE WE SHOULD MOVE PROMPTLY TO ISSUE THE NECESSARY AUTHORIZATION IN ORDER TO GIVE THE CARRIER ENOUGH TIME TO COMPLETE ARRANGEMENTS FOR LIMITED OFFICIAL USE

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A NOVEMBER 1 STARTING DATE. ACTION REQUESTED:
DEPARTMENT'S CONCURRENCE.
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